

# Kentucky Agricultural Development Board

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## *Minutes of the March 18, 2005 Board Meeting*

The regular meeting of the Kentucky Agricultural Development Board was held on **Friday, March 18, 2005** at, at the Franklin County Extension Office. Mike Judge, presiding, called the meeting to order, and the Secretary called the roll.

### **Members Present**

Donna Amburgey; H. H. Barlow; Vickie Yates Brown; Daniel Case; John Cleaver; Rodney Dick; Dennis Griffin; Wayne Hunt; Sam Lawson; Sam Moore; Dean M. Scott Smith; Secretary Gene Strong (Don Goodin, designee)

### **Members Absent**

Governor Ernie Fletcher; Commissioner Richie Farmer; Jim Mahan

### **Others Present**

**Staff** - Catherine Ball; Angela Blank; David Bratcher; Brian Furnish; Sandy Gardner; Bill Hearn; Tim Hughes; Kara Keeton; Maggie May; Bill McCloskey; Joel Neaveill; Lucinda Pease; Keith Rogers; Nick Whobrey; Stephen Yates **Guests** – Lowell Atchley, Legislative Research Commission (LRC); Shana Herron, Community Farm Alliance (CFA); Dave Maples, Kentucky Cattlemen's Association (KCA); Mark Reese, Scott County Extension; Heath Hoagland, Kentucky Center for Cooperative Development (KCCD); Price Smith, Scott County Agricultural Development Council; Mary Jones; Beth Jones; David Klee, Dairy Products Association of Kentucky; Eunice Schlappi, Kentucky Department of Agriculture (KDA); Doug Cox, Kentucky Dairy Council (KDC); Larry Jagger, KDC; Carol Jagger, KDC; Jack McAllister, University of Kentucky; Allen Phillips; Dan Riddeil, South East Dairy; Chris Clark, Green River Produce Cooperative; Michael Gentry, Green River Marketing Produce Cooperative (GRPMC); Michael Duckworth, Woodford County Extension; John Dance; Nan Riekert, Serenity Hill Farm; Jenny Evans, Evans Orchard and Cider Mill LLC; Kevan Evans, Evans Orchard and Cider Mill LLC; Pete Cashel, Terrapin Hill Farm; Brenda Cashel, Terrapin Hill Farm; Gary Lane; Jim Sidebottom; Dan Johnson; Roger Klingenfus; Lewis Ramsey; Bill Hutchison, Farmer Bills'; Nancy Hutchison, Farmer Bills'.

### **Notification of Media**

Mike Judge received verification from Keith L. Rogers, Chief Executive Officer, that the media had received notice regarding the Agricultural Development Board meeting and that there were no media present.

### **Welcome**

Mr. Judge welcomed the Board to the March meeting, noting that the Commissioner was sorry he could not attend.

## **Approval of Minutes**

Dean Scott Smith moved that the minutes from the February 18, 2005 meeting be approved as presented. Dennis Griffin seconded the motion. The motion passed without dissent.

## ***Agricultural Development Fund Budget Review and Discussion***

Mr. Rogers reviewed the Agenda.

Mr. Rogers thanked the Board members for their involvement in calling legislators about the budget. Mr. Rogers believes this involvement has paid off.

Mr. Rogers informed the Board that information sheets on the budget were located in their update folders. (On file with Board Secretary)

Mr. Rogers explained that the bottom line is the Board has 18.2 million dollars to use in total, through fiscal year 2006.

Mr. Rogers asked if there were any questions.

Sam Lawson congratulated staff on a great job getting some of the money back in the Agriculture Development Fund.

Mr. Griffin asked for the balance of the restricted fund. Mr. Rogers explained that this money comes from the money that is received back from loan payments.

Mr. Griffin asked if there is a listing of how many accounts the Agricultural Development Fund has. Bill Hearn, staff Budget Officer, explained that we have three state accounts that we use for disbursing Agricultural Development Funds, but we also have internal accounts.

Mr. Griffin asked if the Agricultural Development Board is authorized to take money from the internal accounts and distribute the money differently.

Mr. Rogers mentioned these are authorized numbers and there are discrepancies between the authorized numbers and the cash numbers. The numbers presented are the authorized numbers which is what the Board is allowed to spend.

Mr. Rogers explained that by working from our authorized number, beginning on July 1, the 10.9 million dollars can be spent for the fiscal year 2006 budget.

Dean Smith asked if the Board is limited to carrying forward the 5.2 million dollars. Mr. Rogers responded that according to the budget the Board must carry over a minimum of 5.2 million dollars.

Mr. Griffin asked if in these internal accounts we could rearrange money. Mr. Rogers reminded, the Board that funds have already been earmarked for agri-tourism and farmers market competitive grant awards.

Mr. Lawson asked if we were able to get the 17 million dollars back for the Kentucky Agricultural Finance Cooperation (KAFC). Mr. Rogers explained that the money is in the Budget however, ADB does not have the authority to spend it. ADB does not know how this money is going to be returned to ADB or KAFC. Mr. Rogers explained after talking to, Budget Director, Brad Cowgill, his intention was to have the money come back to the ADB and have the ADB decide what to do with it. If the 17 million dollars is paid back to ADB we do not have the authority to spend that money in the Budget.

Wayne Hunt noted that ADB approved KAFC for 20 million dollars, but when the Governor took 17 million of the 20 million dollars, ADB had an understanding that the money would be returned to KAFC.

Mr. Rogers asked for clarification that if the money comes back to the ADB, the ADB can transfer it back to KAFC. Joel Neaveill, Deputy Director of Administration, responded yes that, it would just be a transfer.

John Cleaver asked why there is a different figure in Agricultural Development Fund money in 2005 than 2006. Mr. Rogers explained the amount of money the state receives is declining every year.

Mr. Lawson asked if the legislative line items included in the fiscal year 2006 would equal \$25,431,000. Mr. Rogers responded yes.

Rodney Dick asked how much money is going toward water and sewer bonds. Mr. Rogers explained that in fiscal year 2000 there were 4 million dollars in debt services for water projects, in 2006 there are \$5,358,000 in debt services for water projects. This accounts for only half of a year's payment. If this debt service continues to come from the Agricultural Development Fund, in fiscal year 2007 it would be taking 11 million dollars out of ADB funds.

Mr. Hunt asked what happens on July 1, 2006 if we use all of the Agricultural Development Fund's 10 million dollars? Mr. Rogers responded that the Agricultural Development Fund (ADF) would have zero left if the full 2006 water project debt service comes from the ADF.

Mr. Hunt commented that they couldn't take it from us then. Mr. Rogers answered that is true.

Brian Furnish, Deputy Director, asked the Board whether it wanted to keep or to loan more money.

Mr. Griffin stated that the farmers do not care about Phase I money; they just want their Phase II check.

Danny Case felt that people can see county funds being used, but on an individual basis they can not see the state projects so easily because the project may not be in their county.

Mr. Cleaver explained that we need to circulate this information to the county councils.

Mr. Griffin asked who determines where the water lines go. Mr. Neaveill answered that the Kentucky Infrastructure Authority has a list of projects that have been submitted by counties, and the counties decide what is a priority.

Sam Moore asked what happens if the Board runs out of funds before funds are sent to any of the projects we owe money. Mr. Rogers answered that it is set aside so that the only person that could do something is the General Assembly and there would be legal ramifications.

Mr. Rogers stated that there are some projects that will not be taking all of their money.

Mr. Rogers explained that on July 1, 2005 the Board has the authority to spend fiscal year 2006 money. Mr. Rogers challenges the Board to decide if we are going to spend the money before April 2006 payments are received.

Mr. Griffin inquired about the nature of the Bath County Extension project. Mr. Rogers explained that it is the Bath County Farmer's Market. Mr. Rogers asked Lucinda Pease, the project analyst if there is any more information pm that project. Ms. Pease explained that they are planning to start construction this spring.

Mr. Furnish explained that staff would like some direction from the ADB. For example does the Board feel we should not have cash in the account so the general assembly can not take it?

Mr. Lawson noted that he feels ultimately the Board needs the Governor's support.

Mr. Griffin believes the Board needs to do the best that it can as the ADB, even if the legislature is against our ideas. Mr. Griffin explained that he has been amazed that all the farmers care about is their money.

Mr. Furnish once again asked if the ADB should look at loans instead of grants.

Mr. Griffin responded that we should definitely have people put more of their own interest on the line.

Mr. Moore stated that his suggestion is to do anything that can be done to get projects to the counties east of Louisville.

Mr. Furnish explained that if one looks at the top twenty counties of tobacco in Kentucky none of these counties are getting any of the state project locations.

Mr. Rogers explained that staff broke the state into three groups to see where the state applications have been approved and the percentage of applications funded were surprisingly equal.

Vickie Yates Brown suggested that maybe an option would be not to get rid of grants, but have certain stipulations on them.

Mr. Hunt believes the problem is the structure. Mr. Hunt does not feel the ADB can facilitate entrepreneurship, because of how the ADF is structured.

Mr. Rogers stated that if we want to save this program first the Board has to bring agriculture back together to discuss the future.

Mr. Rogers explained that staff has talked about a public relations plan to go to county council meetings.

Mr. Furnish stated that one of the biggest issues is still the 50% cash match.

Ms. Brown agrees with Dean Smith in thinking that we need to bring all of the commodity groups together. Then agriculture is speaking in one voice.

Mr. Dick explained that he makes it a point to go to all the County Council meetings, and indicated that the Council Members would appreciate seeing more Board members visit them.

Mr. Furnish asked if the Board would support getting four or five county councils together for one meeting, and the Board could attend the meeting. Mr. Case responded that he thought that was great idea.

Mr. Lawson stated that the Board needs to get back to what was working and asked if it would be possible to get some of our staff members to put something together that shows the economic impact of all projects. Mr. Rogers stated that we have been concentrating on closing out a number of projects.

Mr. Griffin stated that for all of the projects funded, the Board needs to have an economic analysis of the return on investment or benefits of the project. So, at county councils meeting they can look and see what has been spent and can see how it was leveraged.

## **Executive Director's Report**

Mike Judge yielded the floor to Mr. Rogers for the Executive Director's Report.

Mr. Rogers stated that the confirmations for the six new Board members have been completed and congratulated them.

Mr. Rogers explained that Danny McKinny was not able to make it to this Board meeting, but has it on his calendar to attend the April ADB meeting.

Mr. Rogers noted that staff received a petition from Casey County stating that they did not want county funds spent on the Agricultural Expo Center.

Mr. Rogers stated that the Tobacco Settlement Oversight Committee meeting was held on Wednesday, March 16; it was a very quiet meeting with not many questions.

Mr. Rogers announced that the next KAFC meeting will be Friday, April 1 and that KAFC did not meet in March.

Mr. Rogers gave an update on Phase II, explaining that the bond has to be sold before payments are made.

Mr. Griffin asked if there is an update on the federal case. Mr. Rogers answered that Kentucky has filed their brief last week; now we wait for the tobacco companies to file theirs.

Mr. Rogers stated that the next ADB meeting will be on Friday, April 15, 2005.

**After discussion, Mr. Griffin moved that the Board eliminate the Red and Blue Review Project Committee process and the full Board consider all applications during the Agricultural Development Board meeting. Dean Smith seconded the motion. The motion passed without dissent.**

### **Referral of April Projects<sup>1</sup>**

Mr. Rogers presented projects A2005-0067 through A2005-0099 for referral to the Board's Project Review Committees. H.H. Barlow moved that A2005-0067 through A2005-0099 be referred to the Board's Project Review Committees; Dean Smith seconded the motion. The motion passed without dissent.

### **Approval of Model Programs<sup>2</sup>**

Mr. Judge submitted projects A2005-0073, A2005-0063, A2005-0074, and A2005-0070 as projects meeting the model **Agricultural Diversification Program** guidelines.

Mr. Judge submitted projects A2005-0078, A2005-0060, A2005-0080, and A2005-0071 as projects meeting the model **Cattle Genetics Improvement Program** guidelines.

Mr. Judge submitted projects A2005-0079, A2005-0077, A2005-0075 and A2005-0081 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Mr. Judge submitted project A2005-0061 as a project meeting the model **Farm Livestock Fencing Improvement Program** guidelines.

Mike Judge submitted projects A2005-0072, A2005-0059, A2005-0091, and A2005-0064 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Mr. Judge submitted project A2005-0058 as projects meeting the model **Goat Diversification Program** guidelines.

Mr. Judge submitted projects A2005-0062 as a project meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Mr. Judge submitted project A2005-0083 as a project meeting the model **On-farm Water Enhancement Program** guidelines.

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<sup>1</sup> A detailed list of the referred projects is attached as Appendix A.

<sup>2</sup> A detailed list of projects funded under each model program category is attached as Appendix B.

Mr. Judge submitted project A2005-0065 as a project meeting the model **Shared-Use Equipment** guidelines.

Mr. Judge submitted project A2005-0069 as a project meeting the model **Technology** guidelines.

Mr. Case moved the said applications be approved for the named model programs; Mr. Cleaver seconded the motion. The motion passed without dissent.

## Review of Amendments

Mr. Rogers presented the following amendments for approval.

**A2004-0108, Carroll County Agricultural Development Fund**, was approved for \$64,055.00 on April 29, 2004. The applicant requests an additional \$20,000.00 for the Cattle Handling Program in Carroll County. The request received a High priority from the Carroll County Council. The term of the program shall remain 12 months from the execution date of the original agreement. Approval of this request would bring the program total to \$84,055.00.

**A2004-0111, Carroll County Agricultural Development Fund**, was approved for \$29,621.00 on April 29, 2004. The applicant requests a decrease in project funds of \$20,000.00 for the Hay, Straw, and Commodity Storage Program in Carroll County. These funds are to be reallocated to the county account. Approval of this request would bring the program total to \$9,621.00.

**A2004-0323, Buffalo Trace Area Development District** was approved for \$26,027.00 on July 16, 2004. The applicant requests an additional \$105,061.00 for the Forage Improvement and Utilization Program in Fleming County. The request received a High priority from the Fleming County Council. The term of the program shall remain 12 months from the execution date of the original agreement. Approval of this request would bring the program total to \$131,088.00.

**A2004-0421, The Grant County Agricultural Diversification Council, Incorporated**, was approved for \$5000.00 on September 17, 2004. The applicant requests an additional \$5,000.00 for the Goat Diversification Program in Grant County. The request received a High priority from the Grant County Council. The term of the program shall remain 12 months from the execution date of the original agreement. Approval of this request would bring the total to \$10,000.00.

**A2004-0493, Henry County Boer Goat Association, Inc.**, was approved for \$15,750.00 on December 17, 2004. The applicant requests an additional \$750.00 to bring the total funding for this project to what was originally applied for. Due to Henry County only having \$15,750.00 in their account at the time they were only approved for that amount. Approval of this request would bring the total to \$16,500.00.

**A2004-0275, Buffalo Trace Area Development District**, was approved for \$75,000.00 on July 16, 2004. The applicant requests an additional \$40,000.00 to purchase hay

handling equipment for the hay handling pilot project in Robertson County. Approval of this request would bring the program total to \$115,000.00.

**A2004-0274, Buffalo Trace Area Development District**, was approved for \$40,000.00 on July 16, 2004. The applicant requests an additional \$22,983.00 for the Agricultural Diversification Program in Robertson County. The request received a High priority from the Robertson County Council. The term of the program shall remain 12 months from the execution date of the original agreement. Approval of this request would bring the program total to \$62,983.00.

Mr. Moore moved that said amendments be approved; Mr. Cleaver seconded the motion. The motion passed without dissent.

Mr. Rogers presented three amendments from Carroll County that were located in the update folder.

**A2004-0106, Carroll County Agricultural Development Fund**, was approved for \$30,762.00 on April 29, 2004. The applicant requests an additional \$7,000.00 for the Agricultural Diversification program in Carroll County. The request received a high priority from the Carroll County Council. The request shall remain 12 months from the execution of the original agreement. Approval of this request would bring the program total to \$37,762.00.

**A2004-0108, Carroll County Agricultural Development Fund**, was approved for \$84,055.00 on April 29, 2004. The applicant requests an additional \$5,000.00 for the Cattle Handling Facilities program in Carroll County. The request received a High priority from the Carroll County Council. The term of the program shall remain 12 months from the execution of the original agreement. Approval of this request would bring the program total to \$89,055.00.

**A2004-0105, Carroll County Agriculture Development Fund**, was approved for \$16,796.00 on April 29, 2004. The applicant requests an additional \$7,000.00 for the Goat Diversification program in Carroll County. The request received a High priority from the Carroll County Council. The term of the program shall remain 12 months from the execution date of the original agreement. Approval of this request would bring the program total to \$23,796.00.

Mr. Moore moved the said amendments be approved; Mr. Hunt seconded the motion. The motion passed without dissent.

Mr. Rogers presented the Green River Marketing Produce Cooperative amendment, also located in the update folder.

**A2001-0006, Green River Marketing Produce Cooperative Update**, was approved for \$122,000.00 on March 19, 2004 to be used in the following manner; first, \$72,490.24 to cover 2004 projected operating losses of \$49,908.50 with the remaining \$22,581.74 to payoff operating line with Pioneer Bank. Second, \$49,509.76 to be made available to GRMPC for the 2005 growing season provided the following conditions have been satisfied. To receive the \$49,509.76 set aside for 2005 GRMPC will have to present a report on 2004 operations. Additionally, to receive funding for the 2005 growing season GRMOC must operate within the



proposed budget for 2004 and present a 2005 breakeven budget by December 15, 2004. Staff recommends disbursing \$49,509.76 for the purpose of operating funds for the 2005 growing season.

### *Discussion*

Mr. Griffin noted that in the previous year GRPMC had raised 125 acres. This year they are saying 108 acres will be raised, but will have more income. Mr. Griffin asked how they can get more income on less acreage. Mr. Stephen Noe, president of the Green River Marketing Produce Cooperative, explained that GRMPC had a cantaloupe crop and now has a small seedless melon that can be packaged in boxes of six and are more profitable than cantaloupe. Mr. Noe noted that one of the largest growers is from Calloway County. Mr. Griffin asked if that was a long way for the producer to come. Mr. Noe responded that transportation can be a problem, which means the farther away from the coop the more acres you have to raise.

Mr. Noe explained the niche that GRMPC has found was the personal melon, which is a seven pound watermelon and was very popular in some of the larger cities.

Mr. Dick asked if GRMPC was the only cooperative in the state that grew this certain type of melon. Mr. Noe answered that as far as he new they were and if not they were by far the largest.

H.H. Barlow stated that several people on the growers list are very big tobacco farmers.

Mr. Dick moved that the amendment for **A2001-0006, Green River Marketing Produce Cooperative be approved. Mr. Lawson seconded the motion. The motion passed without dissent.**

## **Project Reports**

### ***Recommendations for Funding***

Lucinda Pease presented **A2004-0213, Bath County Farm Bureau of Bath County, Kentucky**. The application received a high priority from Bath County. The Bath County Farm Bureau requests \$62,500 in Bath County Funds to implement a forage handling equipment cost-share program for Bath County farmers. The program will allow county farmers to improve forage establishment, harvest, and transportation by providing 50% cost-share on forage equipment. Equipment that would be eligible for cost-share includes the following: front end loader attachments, scissor jacks, round bale wagons, flatbed trailers with brakes, hay elevators, bale kick kicker wagons, bale packagers, mechanical bale loaders, gravity bed wagons, and header wagons. The applicant estimates that 20 - 30 farm families will benefit from this program in the first year. The maximum cost-share per household will be set at \$3,000. Producer applications will be scored on a 100 point scale with only those receiving a score above 85 receiving funds. Only one payment per equipment serial number will be made and participants must maintain ownership of equipment for 2 years. All equipment purchased through this program must be new.

*Discussion*

Ms. Pease explained this is like a Lewis County Pilot project in Buffalo Trace area.

Mr. Dick asked how the hay auction has been with a surplus of hay in the Buffalo Trace area. Mr. Furnish stated the auction has been limited.

Mr. Dick how far away are the Buffalo Trace counties geographically for Bath County to use their auction facility. Mr. Rogers replies about eighty miles.

Mr. Griffin moved that **A2004-0213 be approved for \$62,500.00 in Bath County Funds**; Mr. Dick seconded the motion. The motion passed without dissent.

Stephen Yates presented **A2004-0378, Scott County Beef Improvement Association, Inc.** The application received a high priority from Scott County. The Scott County Beef Improvement Association is requesting \$107,000.00 of Scott County funds to establish and administer a Forage and Livestock Enhancement Program. The program would fund up to \$5,000.00 of cost share funds for improved efficiencies and expansion of forage and livestock opportunities for local programs through the purchase of needed forage packaging and handling equipment and feeding equipment to improve feed efficiency. It is estimated that at least 50 producers will participate in the initial round of this program. No applicant shall receive more than \$5,000.00 in matching funds from this program in one year, nor shall they exceed the yearly maximum of \$5,000.00 for all Phase I funds in any given year. The maximum life time cost share for this program shall be \$10,000.00 per producer.

The following equipment would be eligible for cost -share: Forage Equipment- Hay Spears and Forks, Scissor Jacks, Round Bale Wagons, Flat Bed Trailers with Brakes, Hay Elevators, Bale Kickers, Kicker Wagons, Bale Accumulators & Grapples, Mechanical Bale Loaders, Gravity Bed Wagons, Round Bale Silage Wrappers, Header Wagons, Silage and Haylage Choppers, Hay Tedders, Hay Bine Equipment, Front End Loader, Bailers, rake, Choppers and Blower Equipment. Livestock Feeding Equipment- Commodity Boxes, Hay Unrolling Equipment, Bale Processors, Feed Wagons, Silage Storage Facilities, In-Line Feeders, Creep Feeding Equipment, and other Equine Equipment. The Scott County Beef Improvement Association is requesting these funds to not only benefit producers in Scott County who own land but also to potentially reach Tobacco Tenant Farmers as well.

Mr. Yates introduced Mark Reese and Price Smith that were here from the county council to explain some of the other equipment if you had questions.

Mr. Reese stated since the beginning of this program we have struggled meeting the needs of tenant farmers.

Mr. Smith explained if the tenant owners go from tobacco to hay, they have no reason to be able to take advantage of these funds.

Mr. Case asked what the word “equine” means in this project because he felt it was used to general.

Mr. Reese stated that he is more than willing to have staff help him come up with some guidelines.

Mr. Cleaver explained that he likes this proposal, but would like to make it a model program.

Mr. Reese explained their main goal is to reach the tenant farmer.

Mr. Case asked if there is a program that is in effect on a points system. Mr. Reese responded that we use the state guidelines. The farmers that have not been funded before and meet the criteria get first priority.

Mr. Rogers explained that we have drawn the line here because I believe we are in a slippery slope effect and that we are going to have more and more different pieces of equipment.

Mr. Griffin believes that any equipment should be put on the list as long as getting the farmer away from tobacco.

Dean Smith moved that **A2004-0378 be approved, with the guidelines for the first project which means only Hay Handling equipment be funded to be consistent with what was funded in the Buffalo Trace Area, for \$107,000.00, in Scott County funds**; Mr. Case seconded the motion. The motion passed without dissent.

Lucinda Pease presented **A2004-0453, Montgomery County Farm Bureau of Montgomery**. The application received a high priority from Montgomery County. The Montgomery County Farm Bureau requested \$106,000 in Montgomery County Funds but was approved by the County Council for \$26,500 to implement a forage equipment cost-share program for Montgomery County farmers. The program will allow county farmers to improve forage establishment, harvest, and transportation by providing 50% cost-share on forage equipment. Equipment that would be eligible for cost-share includes the following: front end loader attachments, scissor jacks, round bale wagons, flatbed trailers with brakes, hay elevators, bale kickers, kicker wagons, bale packagers, mechanical bale loaders, gravity bed wagons, and header wagons. The applicant estimates that 25 - 30 farm families will benefit from this program in the first year. The maximum cost-share per household will be set at \$5,000 or up to \$25,000 for five farm operations owning equipment equally in partnership. Producer applications will be scored on a 100 point scale with only those receiving a score above 85 receiving funds. Participants must maintain ownership of equipment for 2 years.

Mr. Lawson asked why the statement “25,000.00 for five farm families in partnership on one piece of equipment,” was put in the terms and conditions.

Mr. Rogers noted that his understanding was if five individuals went together and bought one piece of equipment the maximum they could get is \$25,000.00, but each entity would have to have equal ownership and contribute equally.

Ms. Pease explained that it is still a 50-50 cost share program. For instance in order to qualify for the total \$25,000.00 the total price of the equipment would have to be \$50,000.00.

Mr. Cleaver explained he could see a problem with this.

Ms. Amburgey abstained from the voting.

Mr. Cleaver moved that **A2004-0453 be approved for 26,500.00 in Montgomery funds with a change being made to the conditions striking "\$25,000.00 for five farm families in partnership on one piece of equipment."** Mr. Dick seconded the motion. The motion passed without dissent.

Nick Whobrey presented **A2005-0055, Kentucky Wireless Company, LLC.** The application received a high priority from Robertson County. Agricultural Development Funds will be used for the purchase and installation of a Motorola Canopy 5.8 GHz bridge link and Alvarion 2.4 GHz transmit equipment. The goals are to provide rural farm households with high speed internet access for monthly rates that will enable Robertson County farm families to; Save time and increase profits on their farms, track farm information for profitability, and Buy/Sell farm equipment via the web.

According to a recent report conducted through a Fletcher mandated program it was determined that "While only 25% of Kentuckians have access to, and use broadband Internet access at home...a full scale broadband deployment could create 14,000 new jobs. Today it is estimated that there are computers in 60% of the homes nationwide. Kentucky's farm families have become dependent on the Internet, albeit exceptionally slow dial-up connections, to "speed-up" their productivity, enhance their ability to learn and, most importantly, to communicate world-wide."

#### *Discussion*

Ms. Brown asked if there is money under the Governor's plan. Mr. Rogers responded that there is not.

Mr. Case abstained from the vote.

Mr. Hunt moved that **A2005-0055 be approved for \$15,000.00 in Robertson County funds;** Mr. Moore seconded the motion. The motion passed without dissent.

Nick Whobrey presented **A2005-0056, Todd County Conservation District.** The application received a high priority from Todd County. The Todd County Conservation District requested \$45,500 of Todd County Development Funds to implement a cost share program to assist farmers with installing subsurface drainage systems as a way to improve crop yields in poorly drained soils. The maximum cost share per producer is \$2,000. This proposal will benefit approximately 20 to 25 farmers.

Mr. Cleaver moved that **A2005-0056 be approved for \$45,500 in Todd County funds**; Mr. Hunt seconded the motion. The motion passed without dissent.

Bill McCloskey presented **A2005-0066, Kentucky Dairy Council**. The Kentucky Dairy Council requested \$330,000 of state funds. The Kentucky Dairy Council, a newly formed statewide organization of dairy producers and allied industry, requested \$330,000 to establish the office of the Kentucky Dairy Council and hire an Executive Director. The Executive Director will work with the Kentucky Dairy Council Board of Directors to develop and implement a comprehensive plan with the purpose of increasing the profitability of Kentucky dairy producers and to promote and foster an environment for growth of the Kentucky dairy industry. All Kentucky Dairy producers that have been issued a permit to ship milk by the state of Kentucky will be a member of the Kentucky Dairy Council. There are 1,368 dairy farmers that have been issued permits to ship milk in Kentucky as of January 31, 2005.

Mr. McCloskey introduced Jim Sidebottom, the president of the Kentucky Dairy Council.

Mr. Hunt thought this was a reasonable proposal to get an organization that would head the dairy industry.

Dean Smith asked what the plan is to fund this project on a sustaining basis after this money runs out. Mr. McCloskey responded that there will be a comprehensive plan that will be made that would include a short term plan and a long term plan.

Mr. Lawson believes that if we approve this we are buying the dairy industry two years that will allow them to put their plan in place and asks that the Board support this.

Mr. Dick stated that not everybody around the state is represented. Mr. McCloskey answers that in the terms and conditions somebody from the interim board has to be from each region.

Mr. Moore agrees this is a very good thing for Kentucky and this fits right in to Agricultural Diversification.

Dean Smith moved that **A2005-066 be approved for \$330,000 in state funds**; Mr. Lawson seconded the motion.

#### *Discussion*

Mike Judge let the Board know that the Commissioner was very much in favor of this project.

**Mr. Griffin moved to amend the motion so that it requires all milk producers to match whatever money was granted for the life of the state fund participation. Mr. Dick seconded the motion.**

Mr. Hunt does not think that is the way to go right now. It's a good time for a long term plan, but it is not a good way to get the project started. It is a good way to sustain it after two years.

Mr. McCloskey stated as an example that the Kentucky Beef Network did not have matching funds to get started.

Mr. Moore would be opposed to this amendment, the dairy industry has been fragmented at times and they have finally come together to build this organization.

Mr. Cleaver explained that the one problem he has is the dairy producers that he has talked to do not know anything about this. If you are looking down the road, are the dairy producers willing to write a check to the dairy council to keep the project going.

Mr. Moore noted that we are going to give the KY Dairy Council two years to do this.

Mr. Lawson stated that we are trying to buy these farmers two years to get the message out and get started.

Mr. Cleaver asked what message is trying to be conveyed. Mr. Lawson explained that this would give them the platform to decide what needs to be done.

Mr. Rogers called for the Secretary to take a Roll Call Vote for the amendment on the table.

Mr. Barlow has abstained from the vote.

**Board Members Present: Donna Amburgey - Yes; H.H. Barlow - Pass; Vickie Yates Brown - No; Danny Case - Yes; John Cleaver - Yes; Rodney Dick - Yes; Dennis Griffin - Yes; Wayne Hunt - No; Sam Lawson - No; Sam Moore - No; Dean Scott Smith - No; Secretary Strong (Designee, Don Goodin) - No.**

**The amendment failed. (5-Yes's, 6-No's)**

Mr. Cleaver asked where they would get the executive director. Mr. Rogers answered that it could come from out-of-state if they can not find one in Kentucky. The most important fact is to find the right person for the job.

Mr. Dick stated that he still did not like the idea that only a quarter of the state is represented. Mr. Dick sat down with eleven farmers, and believes that when they look at it short term the only thing they feel they are getting is an executive director. I want to help the dairy people but I am not sure this is what we need to be doing.

Mr. Barlow explained that because it is an interim board there will be district representatives there for the meeting.

Mr. Rogers we need to bring a person on board. One thing the dairy people need is someone to get this dairy program working. They have never had one full time person to get everything together.

Mr. Griffin went to the dairy conference and thinks that this is a wonderful effort. There has to be state-wide participation to get this thing going and four districts still do not have anyone to represent them.

Mr. Hunt stated that in the terms and conditions all twelve districts will have representatives there before they receive their money.

**The main motion passed with dissent.**

***Recommendations for No Funding***

Bill McCloskey presented **A2004-0168, AgroVenture Partners, LLC**. The applicant requested \$60,000.00 in Simpson County funds and \$980,000.00 in state funds to establish a processing facility in Guthrie (Todd County), Kentucky to procure quality hay produced in the mid-south region of Kentucky that can be processed and sold as quality compressed hay targeted to the equine industry. Mr. Moore moved to accept the applicants withdraw letter and no funds be awarded to A2004-0168. Dean Smith seconded the motion. The motion passed without dissent.

Bill McCloskey presented **A2005-0053, The Kentucky Partnership for Farm Family Health and Safety, Inc.**. The applicant requested \$12,016 in Warren County funds so that it can continue to partner with Progressive Farmer magazine to offer a one day safety camp for approximately all 800 Warren County 4th grade students. Agricultural Development Funds would be used to purchase liability insurance, T-shirts, goody bags, snacks, meals, transportation, instructor stipends, educational materials and supplies. Mr. Cleaver moved that no funds be awarded to A2005-0053 based on it not demonstrating any ability to benefit or improve net farm income of Kentucky producers; Mr. Dick seconded the motion. The motion passed with dissent.

**New Business**

***Agri-tourism Projects Recommended for Funding***

Mr. Rogers yielded the floor to Brian Furnish.

Mr. Furnish explained the guidelines and noted that there are eight agri-tourism projects being presented for funding consideration.

Mr. Furnish presented **A2003-0566, Chaney's Dairy Barn, Inc.** The application received a high priority from Warren County. Chaney's Dairy Barn Inc. requested \$50,000.00 of state funds to fund the "Dairy Barn" facility that serves as a marketing outlet for

Kentucky products. The Chaney's Dairy Barn is located on the family dairy farm that will offer homemade ice cream 12 months out of the year. Chaney's Dairy Barn will provide shelf space for Kentucky products like Kenny's Country Cheese, fruit from Jackson's Orchard and beef products from Green River Cattle Company, Inc

*Discussion*

Mr. Cleaver asked if Chaney's has to furnish receipts. Mr. Furnish answered yes, they will not receive money until staff has proof of them spending the money.

Mr. Barlow stated that they have a great location.

Mr. Moore moved that **A2003-0566 be approved for \$50,000.00 in state funds;** Ms. Amburgey seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0037, Evans Orchard and Cider Mill, LLC.** Evans Orchard and Cider Mill, LLC requested \$31,900.00 of state funds to renovate a current outdoor shed into a certified kitchen and sales area. The kitchen will service the store sales and add an outdoor sales window to better service their customers.

Their current kitchen area is too small and space is shared with the cider production area. Cider sales are increasing and more room is needed for that part of the business to expand. A big area of business that the applicant intends to focus on is the baked goods area. The new kitchen would allow the applicant to expand this division of their business. The applicant plans to buy as many local inputs for their products as possible. Strawberries for pies and slushies from Harrison County, meat for chili and burgers from Scott County, apples from a 10 county area for pies, caramel apples and slushies. The new kitchen area will also allow the applicant to better serve groups and tours. The applicant can now offer meals with tours made from Kentucky products as a package deal.

The applicant has hosted groups from as far away as Russia and as close as the Scott County Leadership group, all learning about transforming a tobacco farm to an apple orchard and vegetable operation. The cider area will also be able to expand with the new room.

Last year, the applicant increased their cider production by 4,200 gallons. They pressed a total of 12,700 gallons for over 11 other orchards in Kentucky. Moving the kitchen would allow the applicant to utilize a larger holding tank and produce more cider more efficiently.

*Discussion*

Mr. Hunt asked what the score was for this project. Mr. Furnish replied 84.5.

Dean Smith asked what fraction sold is cider. Kevan Evans,owner, replied that 40% sold is cider.

Dean Smith asked about how many pounds it takes for a gallon of cider. Mr. Evans replied ten pounds of apples for one gallon of cider.



Mr. Hunt moved that **A2005-0037 be approved for \$31,900.00 in state funds**; Mr. Goodin seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2004-0429, "R" Farm Pumpkins & More, LLC**. R Farm Pumpkins & More, LLC requested \$15,000.00 of state funds to expand and promote the "R" Farm Pumpkin fest. The funds would be used for an animal shelter, permanent restrooms, handicapped-accessible Trolley, low-rider trailer, chairs, educational videos, signage, and operating expenses.

The applicant indicates that farmers in Lewis, Mason, Clark, Campbell, Bracken, Pendleton, Scott, and Fleming Counties may be impacted by the project through animal and pumpkin purchases for the event, as well as the opportunity to be vendors at the event.

"R" Farm has received approximately a 70% decrease in its tobacco quota over the last eight years. This decrease has greatly affected the ability of "R" Farm to invest in diversification efforts. The "R" Farm Pumpkinfest was established in 1999 to provide additional income supplementing general farm expenses. The "R" Farm Pumpkinfest was established to provide an educational experience and bring area children from local schools and organizations to a real working farm. The objective of the "R" Farm Pumpkinfest is not only to supplement the "R" Farm total income but to assist in replacing lost income from the tobacco programs and continue offering a wonderful learning experience for area children.

A covered animal shelter will not only provide shelter for animals and decrease the need to move the animals multiple times due to weather, but will also allow children to continue to attend during poor weather so that attendance will remain stable (if cancellations are made, schools cannot reschedule due to busing issues which require 30 days notice). By having a permanent restroom with state-mandated hand-washing facilities will avoid the cost of rentals and less sanitary conditions. In the future, this facility could be used for additional farm activities throughout the year. By adding a handicapped-accessible trolley and an additional low-rider trailer will provide the opportunity for those lacking the ability to usually participate in farm activities and will be needed for the anticipated increase in attendance to the festival. Additional income can be derived from this equipment through rentals for other surrounding events and festivals when not in use at the Pumpkinfest. The additional money requested will be used to improve the appearance and provide equipment to offer additional activities and services for festival attendees.

#### *Discussion*

Mr. Dick asked what the applicant is calling an animal shelter. Mr. Furnish responded a petting zoo that is under roof, so the animals do not have to be outside.

Mr. Hunt moved that **A2004-0429 be approved for \$15,000.00 in state funds**; Mr. Barlow seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2004-0072, Acres of Land**. The application received a high priority from Madison County. Acres of Land requested \$50,000.00 of state funds

and \$5,000.00 in Madison County funds to establish a vegetable processing and retail deli operation. Funds would be used to purchase equipment to establish a certified kitchen as well as equipment to operate a vegetable processing center. A portion of the funds being requested would also go towards assisting in the refurbishing of an existing tobacco farm, which will house this new operation.

The 615 acre family farm has depended on tobacco as the primary source of income for over 50 years. Two hundred head of feeder cattle is the next largest source of farm income. The farm operation for 2003 included 21 acres of tobacco, of which 14 acres were raised by the applicant and 7 acres were leased to a farm tenant on a 50/50 split. The Kentucky Soil & Water Conservation Commission has certified the applicant's farm as an agricultural district.

This project will benefit many farm families from Madison and surrounding counties by supplying Kentucky producers with two markets for their products. Mr. Land has contacted 25-30 Kentucky producers who have indicated their desire to sell their products through his establishment. The first market will be on the retail side through the deli operation, retail facility and restaurant. The second market would be through the vegetable processing market. Producers will be able to sell a diverse array of products via this market, which may or may not have been able to sold through a retail market. Culls will be purchased from Kentucky producers to be processed into side items to be sold at the restaurant located on the premises. Acres of Land will allow Kentucky producers to sell their products direct, as well as processed or value-added.

The objective of this project is to assist in the reduction of tobacco dependence by opening up new markets to Kentucky producers. This shall be achieved by contracting with Kentucky farmers to provide farm products direct to the consumer in both a retail and restaurant setting. Mr. Land has already begun refurbishing an existing tobacco barn to house this operation. Ag Development funds would go strictly for the equipment needed to operate the deli and processing center, as well as additional improvements needed to the tobacco barn which will house this operation. In addition he has received a \$250,000 loan from the Department of Tourism.

### *Discussion*

Dean Smith asked if this money is for the start up. Lowell Land, owner, responded that he has a winery right now; the \$50,000 will be 5% of the total costs that have been spent.

Mr. Dick asked how many miles from the Interstate is the project. Mr. Land responded six miles.

Mr. Lawson asked about the eight acres of grapes that are currently growing. Mr. Land responded four out of the eight acres are currently productive.

Mr. Dick asked if the applicant has had a draw from the interstate. Mr. Land responded, that he believes he will pull a lot from the interstate; 47,000 cars a day go past there and they are located on exit 87 going east.

Mr. Dick moved that **A2004-0072 be approved for \$50,000.00 in state funds and \$5000.00 in Madison County funds**; Mr. Cleaver seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0028, Boyd Orchards**. The application received a high priority from Woodford County. Boyd Orchards requested \$50,000.00 of state funds and \$1,000.00 in Woodford County funds to purchase items for a commercial kitchen, cooler and other value added equipment.

The applicant promotes and sells Kentucky-grown produce and other products. In the first year of operation, the applicant has purchased product from producers in Woodford, Mercer, Shelby and Scott counties.

Boyd Orchards is designed to bring customers as a family, an experience which parents can enjoy with their children by offering activities for people of all ages. For children they offer a large divided playground, hay rides, and corn mazes. For adults, they offer a wide selection of shopping (including pre-picked or self-picked produce from the orchard as well as other Kentucky products.)

The applicant plans to enhance the viability of surrounding farms and local growers by marketing and selling their produce and products. During the first year of operation, Boyd Orchards have purchased products from 17 regional producers in their first year at a amount of \$20,000 for the first quarter that the business was open. In addition Boyd Orchards purchases goods wholesale from local crafters and artisans for retail sale. 14 local artisans marketed more than \$1,500.00 in the first quarter the business was open.

The final component that Boyd Orchards provides is one of education. The applicant not only assists in educating the public at large about farming, but also hosts field trips for pre-school and school-age children. The field trips are structured educational programs that have helped many local public school teachers meet curriculum requirements regarding Kentucky agriculture and business.

Mr. Barlow moved that **A2005-0028 be approved for \$50,000.00 in state funds and \$1,000.00 in Woodford County funds**; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0041, Serenity Hill Farm**. The application received a high priority from Jessamine County. Serenity Hill Farm requested \$15,000.00 of state funds and \$2,000.00 in Jessamine County funds for the restoration of an 1820's log cabin that will serve as the applicant's gift shop and site for classes, presentations and re-enactments.

Currently the applicants has commitments from 5 other farm families to be involved in the gift shop. Brownland Fiber Farm in Montgomery County Rhuddlean Hall Farm in Fayette County, VanSickles Hampshires in Clark County, Everything Under The Sun Organic Farm in Woodford County and Decker Davis Studio in Anderson County. In addition the applicant will include other farmers/producers from Jessamine County and products from any other Kentucky farmer/producer. The funds will be used to complete the restoration of the cabin,

decorate, landscape and improve the farm in a manner that is pleasing and conducive to the project.

The applicant is home to a flock of approximately 50 sheep, and assorted goats. The applicant is an accomplished spinner, and makes an assortment of products from their fiber. The applicant plans to teach the public about sheep, wool and other fiber. Teaching spinning, weaving, felting, and dyeing will all be offered. Tours of the farm events such as shearing day, lambing, and old fashioned Christmas will be made available to the public as well. A fall and spring festival will be held where farmers/producers can set up and promote their products/farms. Guest producers will also be invited to the farm on a regular basis to share their skills and products.

Mr. Cleaver moved that **A2005-0041 be approved for \$15,000.00 in state funds and \$2,000.00 in Jessamine County funds**; Mr. Barlow seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0044, Farmer Bill's, LLC**. Farmer Bill's LLC requested \$50,000.00 of state funds. Farmer Bill's has been operating as a privately owned business on a limited basis since September 2000 basing their events on holidays and other annual events such as Fall Harvest, Christmas, Easter, etc. Other events have been added such as Spring Fling and Summer Outing. Events are also planned around private bookings and outings to the farm. School groups visit in the fall and spring for their field trips.

The existing structure has been used as a Haunted Barn and for the Christmas Live Nativity Play. This project will greatly enhance the availability of information to the consumer. Many of their customers have very little knowledge of agriculture in general and where their food comes from. The "shop" to be located in this building will not only feature fresh produce, value added product, crafts, a wide assortment of KY grown products, but will provide an information area. Customers will be introduced to traditional KY foods and will well as new ideas for the use of KY products.

KY producers will be given opportunities to showcase their products and crafts. An area for a film presentation will introduce visitors not only to Farmer Bill's but to agriculture in general. The receiving area for produce and the prep and observation area will be the first to be completed in time for the first produce of the season. This facility will also allow for regular hours of operation as compared to seasonal as in the past. Products will include fresh produce, value added food products both from the certified kitchen on the farm but from other KY producers of jam, jellies, bakery items, country hams, pork, beef, bison, etc: soaps.

Customers will learn not only what KY has to offer but how products originate and end up on the table. The uniqueness of Farmer Bill's is the atmosphere in which families, groups, and students can leisurely spend a day on the farm and leave feeling enriched.

Counties most benefiting from the expansion of Farmer Bill's through sales of commodities, etc. and farm education and the rural farm experience are Gallatin, Grant, Owen, and Pendleton. In addition Boone, Henry, and Carroll County schools and churches visit Farmer Bill's on field trips.

Mr. Griffin moved that **A2005-0044 be approved for \$50,000.00 in state funds;** Ms. Amburgey seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0040, Terrapin Hill Farm.** Terrapin Hill Farm requested \$27,300.00 of state funds to create an Education Center. Funds would be used to do some structural repairs to the 1918 farmhouse, bring a kitchen up to certified kitchen requirements, constructing a 40 x 60 outdoor pavilion, bringing a city water line to the farmhouse in order to install a 6 stall shower house, and to add gravel to parking areas.

One aspect of the Center is to create educational and recreational events which will be marketed to the general public. These events will be geared towards agricultural, environmental or health/wellness topics, and will be focused on bringing school groups to the farm for farm tours and discussions about where our food comes from and about sustainable agriculture. In another component of the Education Center, the applicant will offer the farm and its facilities for lease to private groups for their own purposes and organized activities, such as retreats, trainings, meetings, small conferences, church picnics, parties or family reunions. Once people are on the farm they will be able to observe the components of a small sustainable farm such as an organic garden, livestock and crop rotation systems, and land and water conservation methods. They will be educated about the benefits that local food systems have for their own health, the health of the environment, and for the economic health of the community.

Guests will be offered the opportunity to purchase local farm products from the applicant's store, or may enjoy a meal featuring fresh, delicious, seasonal food raised on the premises and on other local farms.

Mr. Goodin moved that **A2005-0040 be approved for \$27,300.00 in state funds;** Mr. Dick seconded the motion. The motion passed without dissent.

### ***Agri-tourism Projects Recommended for No Funding***

Mr. Furnish noted that there are four agri-tourism projects being presented for "no funding" consideration.

Mr. Furnish presented **A2005-0039, Old Friends, Inc.** The applicant requested \$1,000.00 in Woodford County funds and \$50,000.00 in state funds to retrofit a tobacco barn into a first class Thoroughbred barn and create four additional paddocks. In addition to the retrofit, the applicant intends to create a unique equine tourism experience while offering a needed service to the equine industry. This will be accomplished by showing that retired race horses have significant value, and that a self-sustaining agri-tourism enterprise can increase net farm income for both the applicant and other horse farms through increased tourism.

Old Friends Equine is an organization dedicated to providing for the retirement of Thoroughbred racehorses. It's mission is to become the foremost provider of equine stallion retirement in Central Kentucky.

In addition to the altruistic philosophy of the organization, Old Friends is committed to demonstrating that these horses can still serve as an important economic catalyst in the regional agri-tourism industry. Old Friends has a number of enthusiastic supporters and participants to assist the future of this agri-tourism venture.

Mr. Case moved that no funds be awarded A2005-0039 citing that there was no viable benefit to producers. Mr. Cleaver seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0038, John F. Dance Enterprises, Inc.** The applicant requested \$1,000.00 in Woodford County funds and \$50,000.00 in state funds to expand the facilities at his Good Ol' Days Farm. Ag Development funds would be used for site preparation, construction of a smokehouse, outdoor reception area, and additional meeting room to provide ample over-flow seating that the reception barn can't always handle. Prior to being an agri-tourism facility, Good Ol' Days headquarters was a tobacco barn. Tobacco income from leasing was approximately \$1800 annually; through it's conversion to an agri-tourism facility, a single tour group can equal or exceed that amount. Applicant shows \$144,500 of sales in 2004. With the expansion of his facilities the applicant will be able to purchase a greater amount of Kentucky products by being able to serve a greater number of customers. Kentucky products are already a large part of his menu offering, this proposed expansion would significantly increase the amount of Kentucky inputs the applicant would purchase.

#### *Discussion*

Mr. Lawson asked if this project fell below the score because the project did not show a significant use of KY products or is there another reason. Stephen Yates responded there was a lack of communication on producer commitments.

Mr. Rogers stated that staff sat down and scored the projects and did not feel that it was fair to rescore one specific project and not all the other projects.

Michael Duckworth, Woodford County Extension Agent, stated that he believes this is what we need across the state, and we have a great opportunity.

John Dance stated that he embraces agri-tourism; we have been in the restaurant business for 15 years; put in \$300,000 of our own money, and have had to turn people away.

Mr. Rogers stated that looking back on this project we would probably do things different, but the projects have been scored and to be fair to everyone we felt this had to be our recommendation.

Mr. Lawson stated that the Board does not want to be critical for a bad application.

Mr. Rogers explained that the Board is making the final decision and can add five points to any project either way if they choose.

Mr. Dance believes the miscommunication was staff thinking the project did not have financial resources available for match and a significant amount of KY products able to be purchased.

Mr. Cleaver moved that no funds be awarded to A2005-0038 based on the project did not meet minimum score for funding. Mr. Dick seconded the motion.

Mr. Rogers called for the Secretary to take a Roll Call Vote for the motion on the table.

**Board Members Present: Donna Amburgey - No; H.H. Barlow - No; Vickie Yates Brown - Yes; Danny Case - Yes; John Cleaver - Yes; Rodney Dick - Yes; Dennis Griffin - No; Wayne Hunt - Yes; Sam Lawson - No; Sam Moore - Yes; Dean Smith - No; Secretary Strong (Designee, Don Goodin) - Yes.**

**The motion passed with dissent. (7-Yes, 5 – No)**

Mr. Furnish presented **A2004-0173, Sweet Home Spun**. The applicant requested \$5,000.00 in Henry County funds and \$50,000.00 in state funds to create a studio an storefront for the production and sale of high quality handspun, hand knit items from local wool. The building will also be used as a resource and learning center for farm families interested in raising sheep and crafting high quality wool items from the fleece. The funds would be used to relocate and reconstruct the Low Dutch Colony's Six Mile Meeting House on the applicant's farm.

This building due to its historic value will provide a studio that preserves the agricultural and historical culture of the region. The project would enable the creation of an agri-tourism venue in Henry County on the applicant's farm near Pleasureville. The applicant would relocate, reconstruct, and restore the Six Mile Meeting House, a Low Dutch Colony meeting house built by the earliest settlers to the area at the turn of the 1800's, and the oldest public building in the county to the applicant's farm. The building will be very close to its original location and open for tourists and farmers to visit, learn, and purchase wool and other products that are from the farm's sheep and wool production, particularly as practiced by the early settlers and for home spun, hand knit wool items.

The applicant takes the raw fleece and processes the wool through to wearable finished items. The applicant would make the workshop where this production is done available to area farmers and farm families interested in sheep, wool and wool home spun and home knit production methods. The applicants raise sheep and tobacco on a 160 acre, five generation family farm in Henry County. Tobacco had accounted for over 75% of the farm income prior to 1997, now down to 22%, whereas wool products now account for 53% of the farm income.

The applicants feel that the restored meeting house will become a historical landmark and an agri-tourism destination and venue for the region. The area producers will have resources and access to workshops on sheep and wool production, including spinning and knitting of home spun wool products. These producers can add sheep and wool production to help their own farm family income.

Demand is high for clean, high quality natural and colored fleeces and other wool products.

Mr. Dick moved that no funds be awarded to A2004-0173 based on only benefit is to the applicant. Mr. Barlow seconded the motion. The motion passed without dissent.

Mr. Furnish presented **A2005-0034, Balance Moto X Incorporated**. The applicant requested \$50,000.00 in Warren County funds to develop a state of the art motor cross facility. The purpose of this proposal is to offer all terrain vehicle, dirt bike and motorcycle enthusiasts a place to practice and to compete in a safe, friendly and exciting environment.

#### *Discussion*

Ms. Amburgey asked how this project is going to help the farming industry. John Balance responded that thousands would see this and it would be an outgrowth for the farm children.

Mr. Goodin moved that no funds be awarded to A2005-0034 based on the proposal did not achieve the minimum score required to receive funding and the County gave project a high priority, but did not commit any funds; Ms. Amburgey seconded the motion. The motion passed without dissent.

## **Old Business**

### *Purchase Area Aquaculture Cooperative, Keith Rogers*

Keith Rogers introduced Purchase Area Aquaculture (PAAC) and yielded the floor to Tom French,

Mr. French introduced Marvin Coklow, business consultant, for a presentation.

Mr. Coklow stated that there were a lot of questions on financing and reorganization of the new entity at the last Agricultural Development Board (ADB) meeting. Since then, PAAC has secured \$150,000 in additional collateral. (Folder On File with Board Secretary)

Mr. Coklow yielded the floor to Dr. Jim Tidwell from Kentucky State University.

Dr. Tidwell explained that Kentucky State University (KSU) is going to hire a food scientist for their staff. KSU is going to assist PAAC in developing commercially value-added products and plan to work with them to make feeds. KSU is going to work closely with PAAC to make their business a profitable one.

Mr. Coklow explained that there has been a relationship established between Labor Recruitment and Training Resources and PAAC. PAAC wants the Board to look at their request because PAAC feels they may have been misinterpreted.

Mr. Rogers stated that he would like to discuss the proposed PAAC Scenarios.



Mr. Rogers explained to the Board that last spring the Board provided a \$240,000 CD and that CD will expire on April 5, 2005. In the legal agreement between the bank, PAAC and GOAP there is a paragraph that states "the bank using reasonable diligence", if the Board does not take any action then the Board is putting PAAC and the bank through legalities.

Mr. Rogers asked Mr. French what the operating line of credit is today. Mr. French answered roughly \$220,000.

Mr. Rogers stated that if there was any way PAAC would come to a close, meaning bring new management or file bankruptcy, then he would do everything he could to make sure the farmers were taken care of.

Mr. Rogers stated the new corporation they are trying to create is a spin off PAAC. Mr. Rogers explained that he has been honest with PAAC's management from the beginning of this proposal, noting that they have not made any money at any time.

Mr. Rogers stated that because the bank is involved and is getting ready to take legal action, the Board is aloud to go into closed session.

Mr. Rogers asked how much interest is due on the CD. Mr. Coklow responded roughly \$6,000.00.

Mr. Moore asked what happens if the Board allocates the \$240,000 CD and nothing else. Mr. Coklow answered that PAAC would still operate, but would have to make other arrangements for an operating line of credit.

Dean Smith asked where they are getting the fish. Mr. Coklow explained that they get the fish locally but they have exhausted their supply, so they are getting a great amount of fish from Arkansas.

Joe Currin, explained that they have to go to Arkansas, because the farmers are not able to afford the food to feed the fish. Yet, the farmers need to feed the fish every day to make them grow. Right now the farmers are only feeding every other day which only sustains the fish, it does not make them grow. Farmers want the plant to continue processing fish, though. Their sales have outrun their supply of fish.

Dean Smith asked if the \$240,000 operating line of credit does not get paid off right away how does PAAC operate. Even if the Board gives PAAC what they are asking for, how will PAAC pay off the operating costs?

Dean Smith stated that PAAC has provided profit and loss statements that look perfect, but how are they doing that without the capital.

Mr. Griffin asked if the provided list of farmers were all from Kentucky. Mr. Coklow responded that is correct.

Dean Smith asked why PAAC did not bring in fish earlier from other states. Mr. Coklow responded the fish were affected by the dumping of Vietnamese fish.

Mr. Coklow stated that PAAC has done a remarkable job in selling fish that have not been injected.

Mr. Barlow asked why PAAC does not go to Illinois for money, if PAAC is the only processing plant within a reasonable distance. Mr. Coklow answered that is our goal but we are trying to get our efficiencies up before we look to any individual investors.

Angela Caporelli, Kentucky Department of Agriculture Aquaculture Specialist, reminded the Board that one of PAAC's bylaws states they could not buy out of state fish.

Mr. Rogers stated that PAAC claims to have a niche market, because they do not inject fish; however earlier they stated that they would be injecting in the future.

Mr. Lawson stated that he would like PAAC to understand the Board's caution, and realize that this proposal looks too good to be true.

Mr. Coklow stated that the Chief Finance Officer would have to create a sinking fund that would be used to pay the farmers for their fish. PAAC has convinced the farmers to give them a chance. We have to be disciplined with every penny that walks through PAAC's door and processing the fish. That is why we created free labor to help our cash flow.

Mr. Griffin asked how many days of payment are given to vendors. Mr. Coklow responded thirty days.

Mr. Griffin asked why PAAC would do that. Mr. Coklow responded when working with big entities you have to go with what the entities want.

Ms. Amburgey asked if the problem was that PAAC does not have enough fish. Mr. Coklow responded yes that is why we are getting them somewhere else. The members still depend on this facility to process their fish.

Mr. Currin stated that paying off the farmers will put the farmers back in business.

Mr. Case asked if there are any farmers here today.

Mr. Hunt asked what PAAC's plan is if the board releases the \$240,000 CD. Mr. Coklow answered we would continue operations, and increase customer base.

Mr. Coklow introduced Joey Green a catfish farmer who will continue to build ponds and invest in PAAC.

Mr. Barlow asked Mr. Green, one of the farmers, what prompted him to put a mortgage on his farm. Mr. Green explained that he did invest in this, and knows there were mistakes made, but they were thinking like farmers not like business men. Now we have a different approach. We are looking at tilapia and shrimp and his family is excited about the aquaculture business.

Mr. Green stated that the Board has to look at the long run. Aquaculture is going to grow. Mr. Green stated that he understands the Board's position but the farmers thought they were doing the right thing at the time.

Mr. Rogers asked if Mr. Green was providing the \$150,000 for the operating line or was he putting up collateral. Mr. Green responded that he was putting up collateral.

Dean Smith asked Mr. Coklow what his job is. Mr. Coklow responded a consultant to help distressed businesses.

Dean Smith stated that the CEO looks like he has had six jobs in seven years. Mr. Coklow agreed responded that PAAC wanted him to be an interim until they decided what they needed.

Dean Smith stated that PAAC making the move toward a corporate structure but is still using the old board. Mr. Coklow responded that by April 15, 2005 PAAC hopes to have a new board in place.

Dean Smith asked if PAAC feels that the management issue has been turned around and addressed. Mr. Coklow stated that this issue has been partially addressed but not completely turned around.

Mr. Green stated that the PAAC Board recommended that PAAC hire a general manager.

Mr. Lawson asked Mr. Green what it cost to install a pond. Mr. Green responded \$35,000 for a five acre pond.

**Mr. Judge moved that the Board go into closed session. Mr. Dick seconded the motion. The motion passed without dissent.**

After reconvening in open session, Mr. Hunt asked how Mr. Coklow was getting paid. Mr. Coklow responded by saying that he is in the process of working with PAAC to broker their product in the state of Illinois.

Mr. Cleaver asked if we release the \$240,000 CD what would happen to the list of growers who PAAC owes money to. Mr. Green answered the \$240,000 would have to go straight to the bank.

Mr. Griffin stated that the only way the growers would get paid would be through future earning at PAAC.

Mr. Hunt moved to **approve Scenario 1, which states, "The Agricultural Development Board takes action to allocate the CD to pay off PAAC's Operating Line. Which permits Citizen's Bank to go directly to the CD without pursuing legal action against PAAC."** Mr. Case seconded the motion. The motion passed without dissent.

## Closing Remarks

The next meeting of the Kentucky Agricultural Development Board will convene at 10:00 a.m. on Friday, April 15, 2005 at the Franklin County Extension Office. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

**Mr. Cleaver moved to adjourn at 4:52 p.m. Mr. Hunt seconded the motion. The motion passed without dissent.**

**APPROVED:** \_\_\_\_\_

**PRESIDING OFFICER:** \_\_\_\_\_

**SECRETARY:** \_\_\_\_\_

## New Applications for Referral

<i><b>Appl #</b></i>	<i><b>Project Name</b></i>	<i><b>Project Type</b></i>
A2005-0067	Lawrence County Agriculture Development & Economic Council, Inc.	Hay, Straw, & Commodity Storage
A2005-0068	Shelby County Cattlemen, Inc.	Dairy Diversification
A2005-0069	Shelby County Farm Bureau, Inc.	Technology
A2005-0070	Shelby County Agricultural Development Foundation, Inc.	Agricultural Diversification
A2005-0071	Buffalo Trace Area Development District, Inc.	Cattle Genetics Improvement
A2005-0072	Estill County Conservation District	Forage Improvement & Utilization
A2005-0073	Green River Area Development District, Inc.	Agricultural Diversification
A2005-0074	Green River Area Development District, Inc.	Agricultural Diversification
A2005-0075	Green River Area Beef Improvement Group, Inc.	Cattle Handling Facilities
A2005-0076	Wooden Impressions, Inc.	Project
A2005-0077	Green River Area Beef Improvement Group, Inc.	Cattle Handling Facilities
A2005-0078	Green River Area Beef Improvement Group, Inc.	Cattle Genetics Improvement
A2005-0079	Green River Area Beef Improvement Group, Inc.	Cattle Handling Facilities
A2005-0080	Owen County Farm Bureau, Inc.	Cattle Genetics Improvement
A2005-0081	Owen County Farm Bureau, Inc.	Cattle Handling Facilities
A2005-0082	Owen County Farm Bureau, Inc.	Dairy Diversification
A2005-0083	Metcalfe County Cattlemen's Association, Inc.	On-farm Water Enhancement
A2005-0084	Madison County Farm Bureau, Inc. of Madison County, Kentucky	Technology
A2005-0085	Madison County Farm Bureau, Inc. of Madison County, Kentucky	Agricultural Diversification
A2005-0086	Madison County Farm Bureau, Inc. of Madison County, Kentucky	Hay, Straw, & Commodity Storage
A2005-0087	Madison County Conservation District	Forage Improvement & Utilization
A2005-0088	Madison County Beef Cattle Association, Incorporated	Cattle Handling Facilities

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**New Applications for Referral**

<b><i>Appl #</i></b>	<b><i>Project Name</i></b>	<b><i>Project Type</i></b>
A2005-0089	Madison County Farm Bureau, Inc. of Madison County, Kentucky	Farm Livestock Fencing Improvement
A2005-0090	Madison County Beef Cattle Association, Incorporated	Cattle Genetics Improvement
A2005-0091	Marion County Conservation District	Forage Improvement & Utilization
A2005-0092	Casey County Conservation District	Forage Improvement & Utilization
A2005-0093	Ronald Raque Distributing Company, Inc.	Project
A2005-0094	Jessamine County Beef Cattle Association, Inc.	Dairy Diversification
A2005-0095	Jessamine County Beef Cattle Association, Inc.	Cattle Handling Facilities
A2005-0096	Jessamine County Beef Cattle Association, Inc.	Cattle Genetics Improvement
A2005-0097	Jessamine County Beef Cattle Association, Inc.	Farm Livestock Fencing Improvement
A2005-0098	Jessamine County Beef Cattle Association, Inc.	Hay, Straw, & Commodity Storage
A2005-0099	SKAD/Clinton-Cumberland Cattlemen's Association	Cattle Genetics Improvement

## APPENDIX B: Model Program Lists

**Agricultural Diversification**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0073	Green River Area Development District, I	Henderson	\$22,048.00
A2005-0063	Morgan County Fiscal Court	Morgan	\$67,537.00
A2005-0074	Green River Area Development District, I	Ohio	\$10,000.00
A2005-0070	Shelby County Agricultural Development I	Shelby	\$51,250.00
			<u>\$150,835.00</u>

**Cattle Genetics Improvement**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0078	Green River Area Beef Improvement Gro	Daviess	\$2,871.00
A2005-0060	Jackson County Cattlemen's Association I	Jackson	\$25,000.00
A2005-0080	Owen County Farm Bureau, Inc.	Owen	\$5,300.00
A2005-0071	Buffalo Trace Area Development District,	Robertson	\$10,000.00
			<u>\$43,171.00</u>

**Cattle Handling Facilities**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0079	Green River Area Beef Improvement Gro	Daviess	\$6,700.00
A2005-0077	Green River Area Beef Improvement Gro	Henderson	\$17,048.00
A2005-0075	Green River Area Beef Improvement Gro	Ohio	\$12,000.00
A2005-0081	Owen County Farm Bureau, Inc.	Owen	\$21,200.00
			<u>\$56,948.00</u>

**Dairy Diversification**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0082	Owen County Farm Bureau, Inc.	Owen	\$21,200.00
A2005-0068	Shelby County Cattlemen, Inc.	Shelby	\$102,500.00
			<u>\$123,700.00</u>

**Farm Livestock Fencing Improvement**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0061	Clinton/Cumberland Cattlemen's Associat	Cumberland	\$53,000.00
			<u>\$53,000.00</u>

**Forage Improvement & Utilization**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0072	Estill County Conservation District	Estill	\$26,250.00
A2005-0059	Jackson County Cattlemen's Association, I	Jackson	\$25,000.00
A2005-0091	Marion County Conservation District	Marion	\$35,000.00
A2005-0064	Morgan County Fiscal Court	Morgan	\$78,750.00
			<u>\$165,000.00</u>

**Goat Diversification**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0058	Eastern Kentucky Goat Producers Associa	Jackson	\$1,200.00
			<u>\$1,200.00</u>

## APPENDIX B: Model Program Lists

**Hay, Straw, & Commodity Storage**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0062	Morgan County Fiscal Court	Morgan	\$157,107.00
			<u>\$157,107.00</u>

**On-farm Water Enhancement**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0083	Metcalfe County Cattlemen's Association,	Metcalfe	\$20,000.00
			<u>\$20,000.00</u>

**Shared-use Equipment**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0065	Powell County Soil Conservation District	Powell	\$5,890.00
			<u>\$5,890.00</u>

**Technology**

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0069	Shelby County Farm Bureau, Inc.	Shelby	\$102,500.00
			<u>\$102,500.00</u>